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*Walgreens*  
**Annual Report**  
**TO SHAREOWNERS**

FOR THE YEAR ENDED SEPTEMBER 30

**1964**

**Directors:**

A. A. BORG  
SANFORD J. BOWYER  
C. R. CAMPBELL  
ROBERT G. KNIGHT

C. E. LA FRAMENTA  
EDWARD P. LESLIE  
S. S. RAAB  
C. R. WALGREEN, III

C. R. WALGREEN, JR.

**Officers:**

C. R. WALGREEN, JR.  
CHAIRMAN OF THE BOARD

A. A. BORG  
PRESIDENT

W. L. ALSTRIN  
ASSISTANT CONTROLLER

T. J. BARTON  
SECRETARY

H. W. BECKER  
GENERAL AUDITOR

C. R. CAMPBELL  
VICE PRESIDENT; TREASURER

O. G. GILE  
ASSISTANT SECRETARY

M. R. KEPHART  
VICE PRESIDENT

C. E. LA FRAMENTA  
VICE PRESIDENT

W. K. MISKE  
ASSISTANT SECRETARY

C. W. MULANEY  
VICE PRESIDENT

S. S. RAAB  
VICE PRESIDENT

W. H. REESE  
CONTROLLER

E. J. ROUBIK  
ASSISTANT TREASURER

R. L. SCHMITT  
VICE PRESIDENT

N. P. STARSHAK  
ASSISTANT SECRETARY

**Transfer Agents:**

THE FIRST NATIONAL BANK OF CHICAGO  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

**Registrars:**

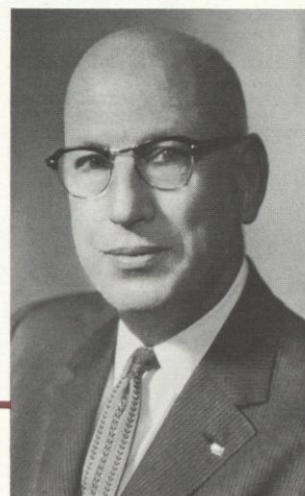
HARRIS TRUST AND SAVINGS BANK OF CHICAGO  
THE FIRST NATIONAL CITY BANK OF NEW YORK

**Walgreen General Offices,** 4300 W. PETERSON AVE., CHICAGO, ILL. 60646



## To Our Shareowners

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November 20, 1964

We are pleased to inform you that both sales and earnings for the year ended September 30 set new records. Sales were \$391,325,977, a gain of \$24,577,941, or 6.7%. A highlight of the year's advance was the substantial role played by our continuing increases in prescription volume, reflecting important further progress in this professional area.

Net earnings rose \$1,098,841 to a new peak of \$7,127,199, or \$2.31 per share, compared with \$1.96 a year ago. At its last meeting, your Board of Directors increased the quarterly dividend rate from 25¢ to 30¢, beginning with the December 12 payment.

During 1964 we opened 21 new Walgreen Drug Stores (9 of which replaced previous smaller units) and 2 Globe self-service department stores. We closed 14 stores. Our store opening schedule was somewhat below our plans for the year because of delays in completion of a number of shopping centers. On September 30 we were operating 465 drug stores, 5 Globe self-service department stores, and 7 Danburg junior department stores. For 1965, our store expansion program will accelerate to 35 or more Walgreen Drug Store openings, plus 3 Globe stores.

In the past year Mr. Sanford J. Bowyer retired from his administrative duties as Vice President in charge of Law and Taxes; he remains a Director, and his valuable services continue to be available to us on a consulting basis.

Credit for our success in 1964 goes to our thousands of Walgreen people, whose quality and loyalty determine the progress of our Company. It is their ability and cooperation that will help us achieve the "Goals of Walgreens" listed on the last page of this report. Your management—backed by this enthusiastic team—looks to the future with confidence.

*A. A. Borg*  
President

*A. C. Walgreen, Jr.*  
Chairman of the Board



# WALGREEN CO. and Subsidiaries

**Consolidated**

## Assets

	<u>September 30,</u>	
	<u>1964</u>	<u>1963</u>
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 6,536,700	\$ 6,509,366
Accounts receivable, less reserves.....	5,799,108	5,360,602
Inventories, at the lower of cost or market, less reserves.....	58,883,064	51,174,197
<b>TOTAL CURRENT ASSETS.....</b>	<u>71,218,872</u>	<u>63,044,165</u>
<b>PREPAID RENT, INSURANCE, TAXES, ETC.....</b>	<u>1,158,381</u>	<u>1,184,348</u>
<b>INVESTMENTS IN AFFILIATED AND OTHER COMPANIES,</b> at cost (equity in underlying book values or market value \$6,260,000 in 1964 and \$5,907,000 in 1963).....	<u>2,452,552</u>	<u>2,238,824</u>
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Land.....	205,377	205,377
Buildings (on owned and leased land).....	1,270,152	1,262,441
Equipment.....	40,909,305	38,111,968
	<u>42,384,834</u>	<u>39,579,786</u>
Less—Reserves for depreciation.....	19,471,261	17,975,316
<b>NET PROPERTY AND EQUIPMENT.....</b>	<u>22,913,573</u>	<u>21,604,470</u>
<b>GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC.,</b> at nominal amount.....	<u>1</u>	<u>1</u>
	<u>\$97,743,379</u>	<u>\$88,071,808</u>

The accompanying notes to consolidated financial



## Balance Sheet

### Liabilities

	<u>September 30,</u>	
	<u>1964</u>	<u>1963</u>
<b>CURRENT LIABILITIES:</b>		
Trade accounts payable.....	\$14,497,966	\$11,784,525
Accrued expenses and other liabilities.....	10,411,713	9,397,206
Federal and state income taxes.....	3,743,035	3,442,630
Notes payable .....	—	1,000,000
<b>TOTAL CURRENT LIABILITIES.....</b>	<u>28,652,714</u>	<u>25,624,361</u>
<b>NOTES PAYABLE TO BANKS (Note 3).....</b>	<u>7,000,000</u>	<u>5,000,000</u>
<b>DEFERRED FEDERAL INCOME TAXES.....</b>	<u>1,290,000</u>	<u>815,000</u>
<b>SHAREOWNERS' EQUITY:</b>		
Common stock, \$5 par value, authorized 5,000,000 shares; issued and outstanding 3,084,026 in 1964 and 3,074,572 in 1963, at stated value (Note 2).....	22,795,015	22,671,175
Earned surplus (Note 3).....	<u>38,005,650</u>	<u>33,961,272</u>
<b>TOTAL SHAREOWNERS' EQUITY.....</b>	60,800,665	56,632,447
	<u>\$97,743,379</u>	<u>\$88,071,808</u>

statements are an integral part of the above statement.



# WALGREEN CO. and Subsidiaries

## Consolidated Statements of Income, Earned Surplus, and Source and Application of Funds

For the Years Ended September 30, 1964 and 1963

	<u>1964</u>	<u>1963</u>
<b>Income</b>		
<b>SALES AND OTHER INCOME:</b>		
Net sales and other store income.....	\$391,325,977	\$366,748,036
Other income (net).....	557,862	478,467
	<u>391,883,839</u>	<u>367,226,503</u>
<b>COSTS AND DEDUCTIONS:</b>		
Cost of sales.....	283,299,122	263,493,688
Selling, occupancy and administration.....	94,623,819	90,973,733
Contribution to Employees' Profit-Sharing Retirement Trust.....	1,473,264	1,336,003
Improvements to leased properties.....	210,435	289,721
Federal and state income taxes.....	5,150,000	5,105,000
	<u>384,756,640</u>	<u>361,198,145</u>
<b>NET INCOME</b> .....	<u>\$ 7,127,199</u>	<u>\$ 6,028,358</u>

<b>Earned Surplus</b>		
<b>BALANCE</b> , beginning of year.....	\$ 33,961,272	\$ 30,384,155
Net income .....	7,127,199	6,028,358
Cash dividends (\$1.00 per share in 1964 and \$.80 in 1963).....	(3,082,821)	(2,451,241)
<b>BALANCE</b> , end of year.....	<u>\$ 38,005,650</u>	<u>\$ 33,961,272</u>

### Source and Application of Funds

<b>SOURCE OF FUNDS:</b>		
Net income .....	\$ 7,127,199	\$ 6,028,358
Depreciation.....	2,990,257	2,861,820
Deferred Federal income taxes.....	475,000	455,000
Notes payable to banks.....	2,000,000	2,000,000
Other sources.....	149,807	527,518
	<u>\$ 12,742,263</u>	<u>\$ 11,872,696</u>
<b>APPLICATION OF FUNDS:</b>		
Net additions to property and equipment.....	\$ 4,299,360	\$ 2,643,993
Cash dividends.....	3,082,821	2,451,241
Investment in affiliated and other companies.....	213,728	124,763
Increase in working capital.....	5,146,354	6,652,699
	<u>\$ 12,742,263</u>	<u>\$ 11,872,696</u>

The accompanying notes to consolidated financial statements are an integral part of the above statements.



## Notes to Consolidated Financial Statements

**1. PRINCIPLES OF CONSOLIDATION:** The consolidated statements include the accounts of the Company and all subsidiaries, except Walgreen Properties, Inc., a wholly owned real estate subsidiary. The net equity of this nonconsolidated subsidiary, as summarized below, has been included in the balance sheet caption "Investments in Affiliated and Other Companies."

	1964	1963
Properties, at cost, less reserves .....	\$6,075,890	\$5,281,581
Mortgages payable, maturing serially through 1989, less current maturities .....	5,596,110	4,931,793
	479,780	349,788
Current liabilities, net of current assets .....	463,842	339,729
Net equity in nonconsolidated real estate subsidiary .....	\$ 15,938	\$ 10,059

**2. STOCK OPTIONS:** In 1957, the shareowners approved a restricted stock option plan for key employees, including officers. At September 30, 1964, 16,674 shares are reserved for options which have been granted at prices ranging from \$11.99 to \$25.50. These options are exercisable beginning one year from the date of grant over a period not exceeding five years and in reduced amounts thereafter through 1967. During 1964, 3,477 shares became exercisable and 9,454 were exercised.

**3. LOAN AGREEMENT:** The Company has a loan agreement under which it may borrow up to \$10,000,000 on short-term notes which are renewable until November 1, 1967. On that date the Company may, at its option, convert any part or all of the \$10,000,000 into term notes due in semiannual installments through November 1, 1973, with a minimum interest rate of 4¼% and a maximum of 5¼%.

Under terms of the agreement, (a) \$19,439,492 of consolidated earned surplus at September 30, 1964, is not available for payment of cash dividends, or for repurchase of the Company's stock, and (b) consolidated net current assets must be at least \$20,000,000. Consolidated net current assets, as defined, are \$42,566,158 at September 30, 1964.

## Accountants' Opinion

### ARTHUR ANDERSEN & Co.

120 SOUTH LA SALLE STREET  
CHICAGO, ILLINOIS 60603

To the Board of Directors and  
Shareowners, WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARIES as of September 30, 1964, and the related statements of consolidated income, earned surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, earned surplus and source and application of funds present fairly the financial position of Walgreen Co. and Subsidiaries as of September 30, 1964, and the results of their operations and the sources and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,  
November 6, 1964.

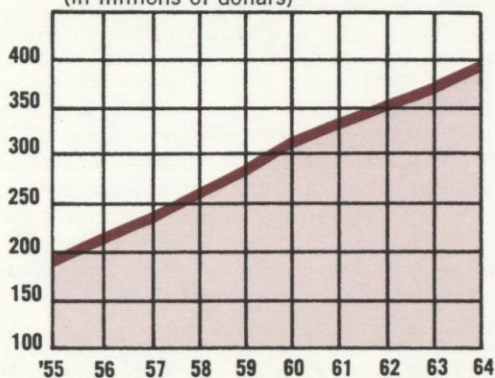
*Arthur Andersen & Co.*



# 10 Year Financial Review

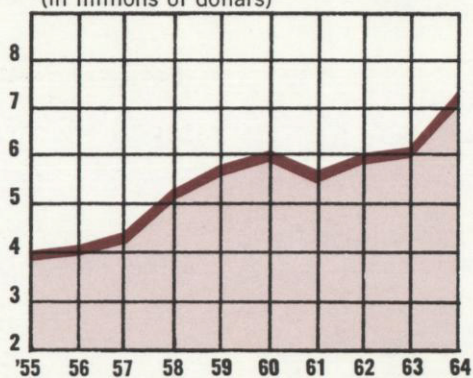
## SALES and other store income

(in millions of dollars)



## NET INCOME

(in millions of dollars)

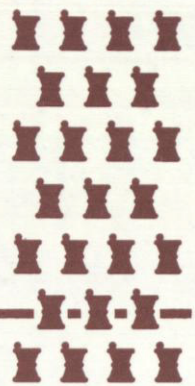


YEAR ended Sept. 30	SALES and other store income	NET INCOME	CASH DIVIDENDS PAID	INCOME REINVESTED	NET PROPERTY & EQUIPMENT	DEPRE- CIATION	PER SHARE†	
							INCOME	EQUITY
	IN THOUSANDS OF DOLLARS						— IN DOLLARS —	
1964	\$391,326	\$7,127	\$3,083	\$4,044	\$22,914	\$2,990	\$2.31	\$19.71
1963	366,748	6,028	2,451	3,577	21,604	2,862	1.96	18.42
1962	353,144	5,978	2,573*	3,405	21,822	2,716	1.96	17.31
1961	331,666	5,594	2,519*	3,075	20,432	2,462	1.90	16.53
1960	312,365	6,011	2,416*	3,595	19,438	2,251	2.06	15.51
1959	285,079	5,772	2,284*	3,488	16,954	2,087	1.99	14.28
1958	259,898	5,313	2,456	2,857	15,938	1,929	1.85	13.08
1957	235,111	4,305	2,391	1,914	15,404	1,780	1.50	12.08
1956	212,283	4,033	2,391	1,642	13,383	1,530	1.40	11.42
1955	192,735	3,994	2,391	1,603	12,158	1,381	1.39	10.85

\*Plus payment of 3% stock dividend.

†Based on common shares outstanding at year-end, adjusted for effect of two-for-one stock split in 1963 and 3% stock dividends paid in 1962, 1961, 1960 and 1959.





# REPORTING ON Pharmacy Progress

More than ever, we are "No. 1 Pharmacist to the Nation"



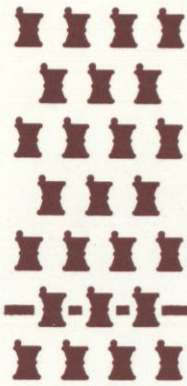
This year, again, our prescription volume increased greatly, despite ever-widening competition from new sources. It reflects the soundness of our basic formula: Complete pharmacy service, highest professional standards, low price. *And*—we are proud to add—the expertness, the dedication, the friendly *courtesy* of our Walgreen Registered Pharmacists.



**YOUR PRESCRIPTION** *is our most important responsibility.*







**DATELINE: U.S.A., 1964**

## We Open 23 Stores

### 21 ARE NEW WALGREEN DRUG STORES

Majority are large units, geared to high volume and broad merchandising range, continuing our trend to expansion of sales area.

Others, predominantly in high-traffic downtown locations, are lesser-size, concentrate primarily on prescriptions, drugs, cosmetics.

- ALBUQUERQUE, N. M.**, 403 Central
- BAY SHORE, Long Island, N. Y.**, South Shore Mall
- CHICAGO, ILL.**, 35th & Halsted
- \* **CHICAGO, ILL.**, 79th & Halsted
- \* **CHICAGO, ILL.**, 2734 Milwaukee
- CHICAGO, ILL.**, 101 W. North
- \* **CHICAGO, ILL.**, 2758 W. North
- CINCINNATI, OHIO**, 117 E. 5th
- CLEARWATER, FLA.**, Sears Town Shopping Center
- \* **DAVENPORT, IOWA**, 202 W. 2nd
- \* **DES MOINES, IOWA**, 610 Walnut
- GARY, IND.**, 6119 E. U.S. 20
- \* **KANKAKEE, ILL.**, 236-256 E. Court
- MEMPHIS, TENN.**, 1133 Bellevue
- \* **PANAMA CITY, FLA.**, 485 Harrison
- RIVIERA BEACH, FLA.**, Riviera Shopping Center
- SCHAUMBURG (near Chicago), ILL.**, Higgins & Golf
- SPRINGFIELD, MASS.**, 1411 Main
- \* **SPRINGFIELD, OHIO**, 44 E. Main
- \* **WHITEHAVEN (Memphis), TENN.**, Whitehaven Plaza
- WINTER PARK (Orlando), FLA.**, Winter Park Shopping Center

\*(Asterisked stores replaced previous units in same or nearby locations.)

. . . in addition, a number of our established units were modernized, and 9 more converted to self-service.





# REPORTING ON CONSTANT GROWTH

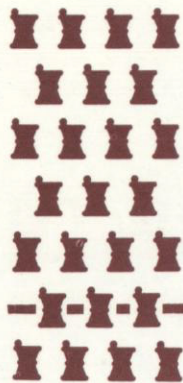
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## **DATELINE: 1965**

Projected new store openings for fiscal 1965 will show a substantial increase, amplifying our expansion program in key locations across the country.





**DATELINE: Norridge, Ill., Aug. 20, 1964**

## We Open Biggest Walgreens in History

**31,500 SQ. FT. STORE ECLIPSES  
COMPANY RECORDS**

First of a series of "pilot stores" designed to measure the profitability of giant-size units, this new Walgreens met with enthusiastic public approval.

While entering many new merchandising areas, and offering greatly amplified selections in standard departments, it maintains the Walgreen *drug store* tradition with its prominent Prescription Department and wide expanse of drug and cosmetic displays.

Initial success of this first unit indicates a promising future. Continuing success for this new series of stores would open the way to larger-scale expansion in this direction.



**PHOTOS:** Top right—Pre-opening . . . all is in readiness.  
Top left—Crowds drawn to Grand Opening Sale.  
Below—They came to *buy*.



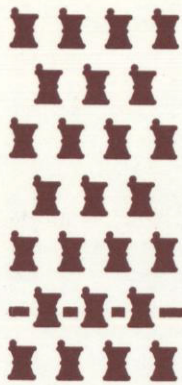
# REPORTING ON NEW DIMENSIONS



## **DATELINE: 1965**

Already in this new fiscal year—in November, 1964—our second Walgreen Super Center, a 30,000 sq. ft. unit, opened in Sioux City, Iowa. The third, measuring nearly 36,000 sq. ft., is slated to open in January, 1965, in Phoenix, Arizona.





## REPORTING ON **GLOBE EXPANSION**

**DATELINE: 1964:** We open two new Globe stores



The fourth discount department store in our growing Globe division opened October, 1963 in Houston, Texas. Pictured is our fifth and newest,

a 102,000 sq. ft. store opened March, 1964, in Baton Rouge, La. Like all Globe units, these incorporate full-line drug, prescription departments.



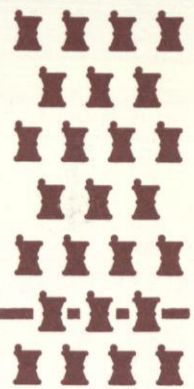
### **DATELINE: 1965**

Our Globe expansion heads west and gains new momentum with the planned opening in 1965 of three new 100,000 sq. ft. stores. One is scheduled for Albuquerque, N.M., and two for Phoenix, Ariz.



# THE GOALS OF WALGREENS

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- To have well-located, modern, well-maintained stores which customers find interesting, pleasant, easy to shop.
- To have courteous, competent, loyal employees.
- To provide complete pharmacy service of the highest standards.
- To carry quality merchandise—honestly advertised and presented.
- To give outstanding value in our services and lines of merchandise.
- To be aggressive in our merchandising policies.
- To maximize current profits by efficient operation—and to continually build for the future.
- To be responsible members of our communities, and active participants in civic progress.
- To further the progress and stature of the profession of pharmacy.
- To benefit our customers, our employees, our shareowners.



**“More People Trade  
at Walgreens than  
at Any Other Drug Stores  
in the World”**

